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PENNSYLVANIA ECONOMY REMAINS ON SOLID GROUND...

more growth likely if the U.S. economy remains healthy

The Commonwealth's economy continued to hold its own in March as **nonmanufacturing appears to have again moved to the forefront with respect to job generation.** Trends over the past two months suggest that Pennsylvania's manufacturers have taken a breather after adding workers for several months. Some have attributed similar sluggishness in manufacturing job growth at the national level to the working off of the well-publicized inventory buildup which occurred during the final months of 1987. Hence, this may explain at least part of the recent sluggishness in Pennsylvania, although the lack of any reliable data precludes any final judgement.

In the February issue of the *PBS*, we suggested that Pennsylvania had a good opportunity to turn in a solid economic showing relative to the U.S. this year. First quarter trends suggest that this may, indeed, be happening. In fact, **the growth so far this year in the labor force and employment has been about twice as large in Pennsylvania as it has in the U.S.** (see chart). In addition, the Commonwealth's jobless rate remains below similar readings for the U.S. March's seasonally adjusted 5.1 percent unemployment rate compares quite nicely with the U.S.' 5.6 percent rate as it remained below national averages for the 22*nd* consecutive month.

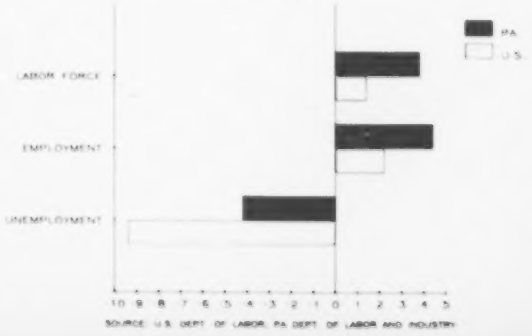
On the nonagricultual jobs front, while Pennsylvania has been outperformed so far this year by the U.S., the shortfall has been minimal. Furthermore, even though it is somewhat distorted by the impact of the USX labor-management dispute which depressed 1987:IQ job totals, the job gains turned in so far by manufacturing this year are certainly good news. Other indicators of manufacturing's health such as hours worked, payrolls, earnings, steel production, and industrial power sales, also turned in solid showings compared to 1987 experiences.

As an aside, much has been made of the discrepancy in growth between, roughly, the eastern and western halves of Pennsylvania. Indeed, as the accompanying chart shows, the northeastern and southeastern quarters of the State, made up of the respective metropolitan areas in these regions, have outperformed the other regions of the Commonwealth by a wide margin going back to the beginning of the recovery. However, more recent trends suggest that this discrepancy is lessening. In fact, **the northwestern quarter, made up of the Erie and Sharon metro areas, has turned in the strongest job gain so far this year.**

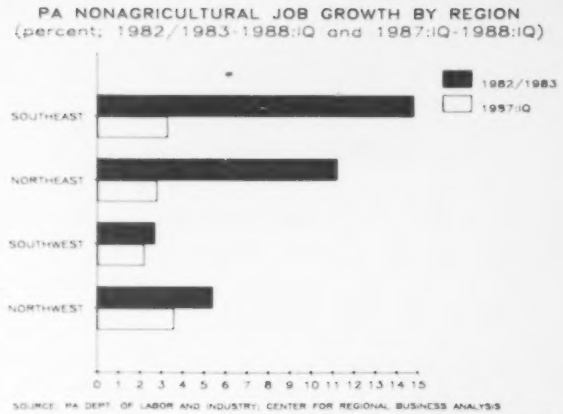
Nonmanufacturing establishments continue to set new job records on essentially a monthly basis. The strength in these industries, and especially in the service-producing area, continues to surprise many analysts. As has been pointed out several times in recent months in the *Survey*, the dark cloud on the economic horizon at the beginning of the year was an expected retrenchment on the part of the nation's consumers due, in large part, to last fall's stock market difficulties. It was assumed that Pennsylvanians would take part equally in such a cutback. Since then, however, it has become apparent that, despite slightly more cautious behavior, consumers at the national level have surely held their own. Additionally, what little evidence there is suggests that Pennsylvania residents have been even less inclined to reign in spending. As a result, job gains in the service-producing industries, which would be heavily hit by a more conservative consumer, have risen in the U.S. and while growth has dropped off slightly in the State, service-producing jobs continue to advance at a respectable pace. Combined with the stronger showing on the part of Pennsylvania's factories, **the result has been a much improved economy in the Commonwealth during this year's first quarter, at least on the employment/jobs front.**

Unfortunately, this optimism is tempered somewhat by some worrisome trends that have just begun to show up. **It is important to keep in mind that activity in this year's**

PA AND U.S. 1987:IQ-1988:IQ GROWTH IN RESIDENT LABOR FORCE, EMPLOYMENT, AND NUMBER UNEMPLOYED
(percent)



first quarter is being compared to a rather weak first quarter of 1987. As a result, it is not too surprising that year-over-year comparisons provide reason for optimism. At the same time, **month-to-month growth so far this year, in many cases, has been quite sluggish.** As pointed out above, manufacturing jobs fell in both February and March after discounting for seasonal trends. This comes after five straight monthly gains. While January factory job readings were at their highest levels in nearly two years, March's seasonally adjusted 1.05 million manufacturing positions in Pennsylvania represent the lowest total since last November. Furthermore, resident employment also declined in February and March. March's decline totaled a rather large seasonally adjusted 50,000. Much the same is true with respect to the labor


PA NONAGRICULTURAL JOB GROWTH BY REGION
(percent; 1982/1983-1988:IQ and 1987:IQ-1988:IQ)
1982/1983
1987:IQ
SOUTHEAST
NORTHEAST
SOUTHWEST
NORTHWEST
0 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15
SOURCE: PA DEPT. OF LABOR AND INDUSTRY; CENTER FOR REGIONAL BUSINESS ANALYSIS

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1988		1987	1988		1987	1988		1987
	Feb.	*March*	*March*	*Feb.*	*March*	*March*	*Feb.*	*March*	*March*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	4,914*	4,948	4,817	5,001*	5,004	4,873	109.5*	109.6	106.7
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,867*	3,901	3,785	3,946*	3,953	3,836	122.4*	122.6	119.0
Mining	29	30	31	31	30	31	63.9*	63.3	65.4
Contract construction	198*	207	196	228	230	219	123.8*	125.2	119.1
Transportation	139*	141	139	141*	142	141	87.9	88.1	87.4
Public Utilities	105	105	103	105	106	104	104.4*	105.1	103.2
Wholesale trade	265	266	259	269	269	262	121.3*	121.1	118.0
Retail trade	845*	847	830	873*	868	851	121.7*	121.1	118.6
Finance, insurance & real estate	291	293	287	294*	295	290	135.3*	135.8	133.4
Service & miscellaneous	1,297*	1,309	1,246	1,314*	1,320	1,256	152.3*	153.0	145.6
Federal government	143	143	139	144*	144	140	112.0*	112.1	109.0
State & local government	556*	561	555	548*	550	544	94.1*	94.4	93.3
Manufacturing									
No. of wage and salary jobs (thous.)	1,045*	1,045	1,031	1,055*	1,051	1,037	78.6*	78.3	77.3
Durable goods	595*	596	583	602	600	587	74.3	74.1	72.4
Nondurable goods	450	449	448	453	451	451	85.1	84.7	84.6
Ave. wkly. hrs. worked by prod. workers	40.8	40.8	40.5	41.0	40.9	40.6	103.9	103.4	102.7
Total wkly. person-hours worked (mils.)	29.0*	29.1	28.3	29.5	29.3	28.5	76.9	76.4	74.3
Total wkly. payroll (mil. dols.)	294.7*	294.9	278.6	299.5*	297.3	280.8	133.3*	132.3	125.0
Average hourly earnings (dollars)	10.15	10.13	9.84	10.12	10.15	9.85	173.0	173.5	168.4
Average weekly earnings (dollars)	414.12	413.30	398.52	417.04	414.13	399.34	180.3	179.0	172.6
Steel production (thous. tons)	1,065	1,186	895	n.a.	n.a.	n.a.	46.9	46.1	34.7
Industrial electric power sales (mil. kwh)	3,851	3,832	3,534	3,702	3,813	3,475	100.2	103.2	94.1
Mining									
Anthracite coal (thous. net tons)	341	355	305	412	375	335	84.4	76.8	68.6
Bituminous coal (thous. net tons)	5,260	5,802	6,259	5,129	5,402	5,626	72.7	76.6	79.8
Construction contracts awarded (mil. dols.)									
Total	491.1	890.8	1128.8*	769.7	769.4	1007.4*	239.2	239.2	313.1*
Residential building	235.9	428.1	364.3*	416.1	379.6	334.9*	295.7	269.7	237.9*
Nonresidential building	190.1	217.5	453.6*	283.3	192.0	432.8*	261.2	177.0	398.9*
Nonbuilding (utilities and public works)	65.1	245.2	305.8*	70.3	197.8	239.7*	97.0	273.0	330.8*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,319	5,304	5,110	5,480	5,429	5,238	114.0	113.0	109.0
Unemployed									
No. of persons (thous.)	334	314	340	300	293	321	74.8	73.1	80.1
Rate (percentage of labor force)	5.9	5.6	6.2						
Rate, seasonally adjusted				5.2	5.1	5.8			
Civilian labor force, no. of persons (thous.)	5,653	5,617	5,450	5,780	5,722	5,559	111.0	109.9	106.8
Initial claims for unemployment benefits	88,638	77,033	81,084	92,706	90,624	94,779	64.8	63.3	66.2

Consumer Prices, all items	Urban Indexes (1982-84 = 100) 1988 *Feb.*	1988 *March*	1987 *March*	Percentage Change *Month Ago*	*Year Ago*
U.S. city average	116.0	116.5	112.1	+0.4	+3.9
Philadelphia	119.3	119.6	114.0	+0.3	+4.9
Pittsburgh	113.3	n.a.	109.8†	n.a.	+3.2

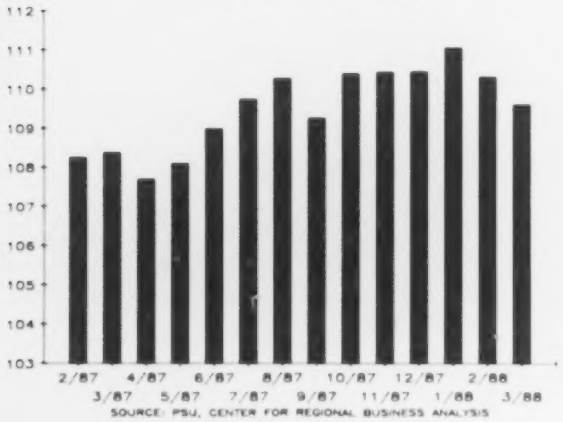
[1] Total includes workers on strike. * = figure revised † = figure for February 1987 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

force. Should these trends continue, **the second half of 1988 may bring with it a rather poor showing with respect to employment gains, especially compared to a solid showing during the final months of 1987. Indeed, these worrisome trends are showing up in the index of leading indicators which turned in its second straight decline in March.**

In sum, however, March brought with it, for the most part, additional good news on the Pennsylvania economy. While there may be periodic monthly downturns, overall trends are certainly encouraging. Furthermore, in light of a stronger-than-expected national economy, it is safe to say that the Commonwealth should continue to post relatively healthy numbers.

— William D. Anderson

PENNSYLVANIA COMPOSITE INDEX OF LEADING INDICATORS
(Jan 1972=100)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

Around the State

Northeastern Quarter

Allentown-Bethlehem

The news on most fronts was good in the four-county Allentown-Bethlehem metro region during this year's first quarter. The area followed Statewide trends as there was little change on a month-to-month basis with respect to employment and the labor force, but year-ago comparisons suggest that at least a fair amount of improvement has taken place. For instance, the number of residents counted as employed was essentially unchanged from 1987:IVQ levels after seasonal adjustment, but was 8,700 greater than a year earlier for a 3 percent gain. Resident employment totaled 300,900 in the first quarter for another record. This helped pave the way for a drop in the jobless rate to 5.2 percent, down from 5.6 percent during the first three months of 1987.

The news was also encouraging in the region's nonagricultural establishments as 5,000 positions were added to payrolls compared to a year ago, leaving the number of jobs maintained in these industries at 270,400. All of first quarter's

Allentown-Bethlehem Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'88	*1 Q.'88*	*4 Q.'87*	*1 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	300.9	112	112	109
Unemployed, no. of residents	16.4	78	80	81
Rate, seasonally adjusted	4.9			
Civilian labor force, no. of residents	317.3	110	109	107
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	270.4	107	106	105
Nonmfg. only, no. of jobs	194.7	134	132	129
Mfg. only, no. of jobs	75.6	70	71	72
Hrs. worked by production workers in mfg., *ave. weekly*	39.4	104	105	104
Industrial electric power sales				
Metropolitan area	***	113	112	106
Allentown	***	97	102	99
Bethlehem	***	124	120	111
Easton	***	111	111	105
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	80.4	+24		
Nonresidential contracts only	42.7	+90		

[1]Lehigh, Northampton, and Carbon Counties, Pa., and Warren County, N.J.

job gain occurred in the nonmanufacturing sector which continued to add positions as it has since 1983. These establishments added 7,100 positions on an annual basis, with 5,500 of these new jobs coming in the service-producing industries. The remainder came in the construction industry where jobs totaled 12,800 following a 1,600 gain from a year earlier. The behavior of construction contracts awarded also suggests that activity moved ahead at a substantial pace as residential contracts awarded advanced by nearly one-fourth compared to the first quarter of 1987 and nonresidential valuations nearly doubled.

At the same time, the situation in manufacturing remains troubling, at least on the jobs front. First quarter saw another 2,200 positions lost relative to a year ago as job levels, at 75,600, remained at an all-time low. This, however, certainly overstates the problems facing these industries. While manufacturing jobs continue to be lost, it is safe to assume that production is at least holding its own and is probably on an upward trend. This contention is backed up by the behavior of electricity sales to industry which have been on a general upward path for the past several years. Furthermore, although it is low relative to other regions around the State, first quarter's 39.4 hour average factory workweek is rather high for the region. This measure of manufacturing activity is kept low because of a relatively high concentration of workers in the apparel products industry which traditionally has a short workweek. On the durable goods side, the average workweek in the metro area remains similar to Statewide averages.

While much of the news in the region is encouraging, recent gains suggest that the Allentown-Bethlehem metro area is, at best, turning in a performance very similar to the situation Statewide. Indeed, while recent job and employment gains have certainly been good news, they have not allowed the area to increase its share of overall Pennsylvania employment. In fact, at 5.5 percent, the region's share of the Commonwealth's nonagricultural jobs in 1987 was identical to

Scranton-Wilkes-Barre Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q '88	*1 Q '88*	*4 Q '87*	*1 Q '87*
Employment *(in thousands)*				
Employed, no. of residents				
Metropolitan area	323.1	117	116	112
Lackawanna County[2]	99.3	113	112	109
Luzerne County[3]	143.7	111	110	107
Unemployed, no. of residents				
Metropolitan area	24.5	72	76	80
Rate, seasonally adjusted	6.4			
Lackawanna County[2]	6.9	65	70	70
Luzerne County[3]	11.9	77	79	87
Civilian labor force, no. of residents				
Metropolitan area	347.7	113	112	109
Lackawanna County[2]	106.1	108	108	105
Luzerne County[3]	155.6	108	107	105
Local industries, Metropolitan area *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	289.2	113	112	110
Nonmfg. only, no. of jobs	218.4	126	124	121
Mfg. only, no. of jobs	70.9	86	86	86
Hrs. worked by production workers in mfg., *ave. weekly*	38.4	n.a.	n.a.	n.a.
Industrial electric power sales				
Metropolitan area[4]	***	111	114	105
Lackawanna County[2]	***	123	123	120
Luzerne County[3]	***	98	100	96
Hazleton	***	88	94	88
Wilkes-Barre	***	102	104	98
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	56.9	+ 49		
Nonresidential contracts only	36.1	+ 4		

[1]Columbia, Lackawanna, Luzerne, Monroe, and Wyoming Counties
[2]Includes Scranton
[3]Includes Wilkes-Barre and Hazleton
[4]Excludes Wyoming County

its share in 1978. Nonetheless, there is no denying that considerable improvement has occurred in the region. In addition, further good news appears likely as the nation's economy continues to show solid gains. Whether or not the region can improve its standing relative to the rest of the State is dependent upon the health of manufacturing.

Scranton-Wilkes-Barre

This year's first quarter turned out to be a relatively sound one in the Scranton-Wilkes-Barre metropolitan area economy, especially when comparisons are made to the 1987:IQ situation. Furthermore, should manufacturing hold its own and the nation's economy continue to expand at a satisfactory pace, more good news is possible in the coming months.

Similar to the State as a whole, the five-county region appears to have finally reached the bottom in terms of manufacturing jobs. Future months could very well see a slight upward trend, or, at worst, minimal declines. At 70,900, factory job levels were off by only 200 from year-ago readings. Furthermore, after seasonal trends are discounted, manufacturing positions have increased slightly in each of the past two quarters. The performances of the area's largest manufacturing industries have been mixed so far this year. Apparel manufacturers have lost 500 jobs over the course of a year while fabricated metals industries have lost 300 workers. On the other hand, printing and publishing and food products have turned in job gains of 100 and 300, respectively.

Nonmanufacturing continues to supply the bulk of all new jobs in the region as 8,500 positions were added to industry payrolls in the year ending with the first quarter. The 218,400 jobs in these establishments represent a record high after seasonal trends are discounted. Essentially all nonmanufacturing industries have contributed to recent job gains. Only the region's mining establishments realized a net job loss relative to the first quarter of 1987. The construction, transportation and public utilities, trade, finance, services, and government sectors each added workers, with an especially strong gain of 3,700 being recorded in the services category. The gain of 300 jobs in the construction industry, along with gains in the value of contract awards, suggests that building activity remains strong.

On the strength of these gains, a solid showing was turned in with respect to resident employment. After seasonal adjustment, first quarter brought with it the fifth consecutive gain in employment for another record. All told, 13,000 more residents were counted as employed in the first quarter compared to a year ago in rising to 323,100. This was strong enough to absorb a gain of 10,500 in the labor force and reduce the number of unemployed by 2,600. The end result was a percentage point drop in the jobless rate to 7.1 percent.

Monroe County turned in the strongest performance as employment expanded at a 4.5 percent rate on an annual basis in the first quarter, though each of the other counties trailed only slightly behind. However, in examining trends over the long-term, discrepancies are apparent as 1978-1987 resident employment growth ranged anywhere from 5.3 percent in Luzerne County to 41.4 percent in Monroe County. In fact, the Monroe County gain was nearly twice as large as the next largest increase of 22.9 percent turned in by Wyoming County. Clearly, caution is required in analyzing region-wide trends in light of these rather large differences.

Williamsport

Economic conditions in Lycoming County remained encour-

Williamsport Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q '88	*1 Q '88*	*4 Q '87*	*1 Q '87*
Employment *(in thousands)*				
Employed, no. of residents	56.0	123	121	111
Unemployed, no. of residents	4.0	75	79	69
Rate, seasonally adjusted	5.6			
Civilian labor force, no. of residents	60.0	119	117	108
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	51.5	114	112	106
Nonmfg. only, no. of jobs	34.9	126	123	117
Mfg. only, no. of jobs	16.6	96	94	87
Hrs. worked by production workers in mfg., *ave. weekly*	41.0	106	107	104
Industrial electric power sales	***	113	88	84
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	4.2	+ 62		
Nonresidential contracts only	0.1	- 95		

[1]Lycoming County

aging during the first three months of 1988, continuing a string of impressive performances. Once again, the best news comes from the manufacturing sector where the 16,600 positions maintained in these establishments represent a gain of 1,500 from year-ago readings. The majority of recent manufacturing job gains has occurred in the durable goods sector, including the lumber and wood products industry which is probably the result of continued strength in construction activity. A sizeable gain was also turned in by the transportation equipment industry. While factory job levels have just started to rebound after dropping almost continuously since mid-1984 in Pennsylvania, the trend in the Williamsport area has been up essentially since the end of the recession around the beginning of 1983. Still, some room may remain for improvement as pre-recessionary job levels have yet to be reached, but that goal may be too lofty.

At the same time, job levels in the region's nonmanufacturing establishments continue to advance. In fact, the 34,900 positions maintained in these industries during this year's first quarter represent another record high after adjusting for seasonality. These establishments have been operating with workforces at or near record levels since mid-1985. As a result of this balanced picture, total nonagricultural job growth in the Williamsport metro area has remained above Statewide growth throughout much of the recovery. The 8.2 percent nonfarm job gain between the first quarters of 1987 and 1988 is three times as large as the growth rate for all of Pennsylvania.

This good news is reflected in another solid showing on the employment/unemployment front. The number of Lycoming County residents counted as employed rose by 5,500 from 1987's first quarter to stand at 56,000 during the first three months of this year, a new record if seasonal trends are taken into account. This paved the way for a slight decline in the jobless rate from 7 to 6.7 percent, unadjusted. The decline would have been larger were it not for a huge 10.5 percent increase in the labor force. This gain, however, provides further evidence of exceptional overall strength as an expanding labor force is typically associated with a healthy economy. Throughout Pennsylvania, the labor force grew at a 3.8 percent clip over the same period.

The region's solid showing is rounded out by continued strength in construction activity. Residential construction contract values rose by 62 percent from year ago readings in the first quarter in settling at $4.2 million. A large drop in nonresidential contract values is misleading in that this category is subject to wide swings as a result of the inclusion of relatively large projects. Construction jobs rose by 100 on a year-over-year basis.

Southwestern Quarter

Altoona

Blair County appears to have followed Statewide trends in that the first quarter brought with it a considerable amount of good news. As with Pennsylvania as a whole, whether or not the future will bring with it a continuation of the recent positive trends in the Altoona metropolitan area is very much dependent on what happens nationally. Current signals suggest that the nation's economy will continue to move ahead at a fair pace which should spell good news for the local economy.

Altoona Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'88	*1 Q.'88*	*4 Q.'87*	*1 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	54.1	108	106	103
Unemployed, no. of residents	4.8	106	116	107
Rate, seasonally adjusted	6.9			
Civilian labor force, no. of residents	58.8	108	107	103
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	50.5	102	100	99
Nonmfg. only, no. of jobs	39.4	107	105	103
Mfg. only, no. of jobs	11.1	88	87	85
Hrs. worked by production workers in mfg., *ave. weekly*	40.3	107	103	103
Industrial electric power sales	***	77	79	75
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	5.1	+113		
Nonresidential contracts only	7.0	+119		

[1]Blair County

Although a major portion of the gain in employment has been fueled by the nonmanufacturing sector, especially in the service-producing industries, manufacturing appears to now be making a welcome contribution as job levels have been drifting upward. Compared to the year-ago period, the 11,100 positions in these establishments represent a gain of 300. After adjusting for seasonality, job levels have held steady or advanced slightly in each of the past six quarters. At 40.3 hours, the average factory workweek stood at a record high during the first quarter which should help prop up manufacturing job levels. Industrial power sales, however, remain fairly low which suggests that some slack remains. There appear to be no question marks, however, when the focus is nonmanufacturing. All told, there were 39,400 jobs maintained in these establishments in the first quarter, a record high and a gain of about 1,400 jobs over a year ago. Essentially all of these new jobs were created in the service-producing industries. Construction activity appears to be holding up well. While job levels have held steady in the industry, contract values more than doubled for both residential and nonresidential projects.

Still, it must be kept in mind that, despite the abundance of good news of late, conditions are far from booming. The fact is that the Blair County economy has grown at about the same pace as the State as a whole over the course of the

One result of this strong showing has been a fairly significant drop in unemployment. First quarter's jobless rate, at 8.1 percent, was down 0.3 percentage point from 1987:1Q. After adjusting for seasonality, the rate was off 0.7 percentage point from fourth quarter readings. Strength on the employment front has helped drive unemployment down. Between the first quarters of 1987 and 1988, the number of Blair County residents counted as employed rose by a solid 2,500 in settling at 54,100, a new record after discounting for seasonal trends. Labor force growth has also picked up lately, preventing joblessness from declining even further.

past several years. Indeed, there is little difference in the share of Pennsylvania jobs accounted for by the Altoona metro area when the years 1978 and 1987 are compared. Clearly, long-run trends suggest that the region is growing at essentially an average pace.

Johnstown

The economy of the two-county Johnstown metropolitan area appears to be finally holding its own after going through an extended period of relative decline. However, in light of all of the ground lost in recent years (the region's share of Pennsylvania nonfarm jobs has dropped by about 16 percent over the past decade), considerable room remains for improvement. Unfortunately, it is not likely that a significant portion of the region's recent losses will ever be reversed.

Nonetheless, first quarter trends were encouraging. Especially good news is found in construction activity. The value of residential construction contract awards more than doubled from year-ago readings while a solid 29 percent gain was recorded on the nonresidential side. At 2,200, construction jobs were at their highest first quarter reading since 1981. The news was somewhat encouraging elsewhere in the nonmanufacturing sector, though these industries are not growing as rapidly as in the State as a whole. Within the broad service-producing category, the services industry added 800 jobs in the first quarter compared to a year ago while wholesale and retail trade establishments added 300 positions.

Elsewhere, manufacturing activity continues to show signs of improvement, though the gains have fallen short of being impressive. Relative to the first quarter of 1987, 500 jobs have been added to the area's factory payrolls. Additionally, after adjusting for seasonal trends, job levels have been on an upward trend for about two years. Still, the 13,000 positions maintained in these establishments during the first three months of this year are only about one-half of the peak readings of approximately two decades ago. On a slightly more positive note, the average factory workweek is at its second-highest level on record and electricity sales to industry, a good proxy for production trends, despite a decline in the first quarter, remain quite high in historical terms.

Johnstown Area[1]

	Ave. mo. value 1 Q '88	Average monthly index seas. adj. (1977 = 100) 1 Q '88	4 Q '87	1 Q '87
Employment *(in thousands)*				
Employed, no. of residents	85.0	91	91	88
Unemployed, no. of residents	8.7	68	76	71
Rate, seasonally adjusted	7.7			
Civilian labor force, no. of residents	93.7	89	89	87
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	77.3	90	90	88
Nonmfg. only, no. of jobs	64.3	99	99	98
Mfg. only, no. of jobs	13.0	63	62	60
Hrs. worked by production workers in mfg., *ave. weekly*	39.8	103	103	99
Industrial electric power sales	***	176	183	170
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	12.3	+120		
Nonresidential contracts only	4.9	+29		

[1]Cambria and Somerset Counties

Hence, although problems certainly remain in the goods-producing sector, the most encouraging signs in 1988 will probably come from construction and manufacturing, though the gains in the latter will remain modest.

Unemployment in the region continued to fall. At 9.3 percent, unadjusted, the jobless rate was down 0.6 percentage point from the first quarter of 1987. After seasonal adjustment, the rate was down 0.9 percentage point from fourth quarter 1987 readings. The number of residents counted as employed rose by 2,900 between the first quarters of 1987 and 1988. This increase was strong enough to absorb a net inflow into the labor force totaling 2,500 and reduce the number of residents counted as unemployed by 400. Despite the recent good news on the employment/unemployment front, long-run trends remain worrisome as employment is increasing modestly, at best, while the labor force shows a downward trend.

Pittsburgh-Beaver Valley

Economic activity appears to have increased again in the five counties making up the Pittsburgh-Beaver Valley region although much of the growth occurred outside Beaver County. Furthermore, while some recent gains may be interpreted as being rather impressive, a review of long-term trends showing that the region has been outperformed by the U.S. and Pennsylvania suggests that problems remain.

Most indicators suggest that most, if not all, of the manufacturing job losses which have rocked the region in recent years have ended. In fact, 3,300 positions were added in these establishments between the first quarters of 1987 and 1988 in the four counties making up the Pittsburgh metro area while job levels held steady in Beaver County. Additionally, the relatively high average factory workweek should continue to help prop up job totals. This still leaves the region with a considerable amount of ground to be made up in both absolute and relative terms. Together, the five counties accounted for 19 percent of the State's manufacturing jobs in 1978. As of 1987, the comparable figure was 12.8 percent.

The situation is a bit more encouraging in the nonmanufacturing sector where the service-producing industries have generated a significant number of new jobs. Recent gains have pushed nonmanufacturing job levels to a new record in the Pittsburgh region and to a near-record in Beaver County. Despite these gains, both short- and long-run trends show the region lagging behind Statewide norms in terms of growth. Clearly, additional strength on the part of manufacturers would be beneficial by filtering into the service-producing industries, fueling additional growth.

Construction appears to be more than holding its own throughout the five-county region. Contract awards during this year's first quarter were up in value over a year ago on the residential side and down only slightly for nonresidential projects in the Pittsburgh area. Awards were up in both categories in Beaver County, including a large 163 percent gain on the nonresidential side. Job levels appear to have essentially held steady in the construction industry.

On the employment/unemployment front, weak employment gains in Beaver County have helped keep joblessness stubbornly high. Specifically, first quarter's 10.4 percent

Pittsburgh[1]-Beaver Valley[2] Area

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q '88	*1 Q '88*	*4 Q '87*	*1 Q '87*
Employment *(in thousands)*				
Employed, no. of residents				
Pittsburgh[1]	880.4	104	103	101
Beaver County	55.8	67	66	66
Unemployed, no. of residents				
Pittsburgh[1]	66.5	94	97	102
Beaver County	6.4	92	92	94
Unemployment Rate, seas. adj.				
Pittsburgh[1]	6.2			
Beaver County	9.5			
Civilian labor force, no. of residents				
Pittsburgh[1]	946.9	103	102	101
Beaver County	62.2	69	68	68
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs				
Pittsburgh[1]	849.7	100	99	98
Beaver County	50.4	67	67	67
Nonmfg. only, no. of jobs				
Pittsburgh[1]	724.9	114	113	112
Beaver County	40.8	109	108	109
Mfg. only, no. of jobs				
Pittsburgh[1]	124.8	57	57	56
Beaver County	9.6	26	26	26
Hrs. worked by production workers in mfg., *ave. weekly*				
Pittsburgh[1]	42.1	n.a.	n.a.	n.a.
Beaver County	42.2	n.a.	n.a.	n.a.
Industrial electric power sales	***	60	66	51
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only				
Pittsburgh[1]	94.9	+ 21		
Beaver County	3.7	+ 61		
Nonresidential contracts only				
Pittsburgh[1]	124.8	– 7		
Beaver County	2.1	+163		

[1]Allegheny, Fayette, Washington and Westmoreland Counties
[2]Beaver County

unemployment rate, unadjusted, ranks as the highest among the State's 15 metro areas. The situation is somewhat better in the Pittsburgh region, however. Still, while the year-over-year showing during the first three months of this year was impressive as represented by a gain of nearly 30,000 in the number of residents counted as employed and a 0.8 percentage point drop in the unemployment rate, sluggish labor force and employment growth over the past several years tempers at least a portion of the optimism.

In sum, it is quite apparent that there has been recent improvement throughout much of the region. As with the State as a whole, whether or not these trends continue depends a great deal on the economic situation in the U.S. However, if, as expected, the national economy continues performing at a satisfactory pace, the gains realized by these five counties in southwestern Pennsylvania will, at best, help the region regain only a small portion of the ground lost in recent years.

State College

Nearly all available evidence suggests that economic conditions strengthened further in Centre County during the first quarter of 1988. This continues a string of several impressive performances and leaves the region on solid ground as the typically strong warm-weather months approach. Unless the U.S. economy slows dramatically, the next several months should result in even better news in the State College metro area.

State College Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q '88	*1 Q '88*	*4 Q '87*	*1 Q '87*
Employment *(in thousands)*				
Employed, no. of residents	56.8	138	137	132
Unemployed, no. of residents	3.4	118	124	112
Rate, seasonally adjusted	5.2			
Civilian labor force, no. of residents	60.2	137	136	130
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	53.9	134	131	129
Nonmfg. only, no. of jobs	46.4	137	134	132
Mfg. only, no. of jobs	7.6	118	115	114
Industrial electric power sales	***	125	123	110
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	12.2	– 15		
Nonresidential contracts only	10.9	+ 31		

[1]Centre County

Although several other areas around the State have lower unemployment rates than the region's 5.6 percent unadjusted reading for the first quarter, employment growth has been exceptionally strong. All told, employment expanded by 2,700 between the first quarters of 1987 and 1988, a 5 percent gain, to a record high of 56,800. Furthermore, between the end of the recession in the early 1980s and 1987, employment expanded by 17 percent. These findings compare quite favorably with the gains of 4.4 and 9.4 percent in the State as a whole. Furthermore, over the course of the recovery, the jobless rate has been cut in half while the labor force has grown considerably.

The region's nonfarm industries continue to show solid job gains as growth has been balanced across most industries. There were 1,900 more positions in these establishments during this year's first quarter compared to the same period in 1987, pushing nonagricultural job readings to another record high. Manufacturing contributed 300 of these new jobs as these industries continue to rebound. Although manufacturing accounts for just 13.8 percent of all jobs in Centre

Erie Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q '88	*1 Q '88*	*4 Q '87*	*1 Q '87*
Employment *(in thousands)*				
Employed, no. of residents	117.9	109	108	105
Unemployed, no. of residents	9.3	93	98	103
Rate, seasonally adjusted	6.6			
Civilian labor force, no. of residents	127.2	108	107	104
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	110.4	102	101	99
Nonmfg. only, no. of jobs	75.6	115	114	111
Mfg. only, no. of jobs	34.8	82	81	80
Hrs. worked by production workers in mfg., *ave. weekly*	42.9	104	103	101
Industrial electric power sales	***	115	116	101
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	13.9	+ 23		
Nonresidential contracts only	21.6	+ 88		

[1]Erie County

County compared to 21.2 percent Statewide, they are still very important to the health of the local economy. Hence, further improvement on their part is of vital importance to the ability of the economy to continue posting solid numbers.

Despite these recent gains on the part of manufacturing, the bulk of all new jobs generated in Centre County continue to come from the nonmanufacturing sector which accounted for 1,800 new jobs over the 1987:IQ-1988:IQ period. This increase, to 46,400, left nonmanufacturing job totals at a record high for the sixth straight quarter. Construction is certainly making a contribution as job totals continue to increase. Furthermore, nonresidential construction contract values rose almost one-third from last year's first quarter. The 15 percent decline in residential contract awards is really the only "negative" to be found in the first quarter results.

Northwestern Quarter

Erie

Although economic conditions improved only slightly in the first quarter of 1988 compared to the final three months of 1987, comparisons to a year ago show that a considerable amount of improvement has taken place in Erie County. Whether or not this positive trend will continue is debatable. Month-to-month growth within the first quarter appears to have been minimal. Should this continue, year-over-year growth will decline as we head into the second half of 1988. Still, barring a significant reduction in growth at the national level, the Erie metropolitan area economy should continue to expand at least moderately.

On the positive side, some very good news is found in construction. Nonresidential contract awards were nearly double their year-ago values in the first quarter in Erie County while residential awards were up by more than one-fifth. Additionally, at 2,800, first quarter construction jobs were at their highest level since 1979. This helped push total nonmanufacturing job levels up by 2,300 to a record high of 75,600 after seasonal trends are factored out. Not surprisingly, the services industries continue to provide the bulk of all new jobs. In fact, since the recovery began around 1982/1983, these industries have accounted for close to one-half of all new nonmanufacturing jobs.

Although their share of jobs has been on the decline, from 38 percent in 1978 to 31 percent in 1987, the region's manufacturers remain of special importance to Erie County, even more so than in the State as a whole where manufacturing accounts for slightly more than one-fifth of all nonfarm jobs. Hence, it is critically important that these industries rebound from a rather prolonged slump as reflected by a sharp falloff in job totals. Indeed, it appears that the bottom has been reached in terms of job levels. Compared to year-ago readings, first quarter's 34,800 factory-related positions represent a gain of 800. Furthermore, after adjusting for seasonality, slight increases have occurred in each of the past four quarters. This improvement, even though it is relatively modest, is reflected in electricity sales to industry which currently stand just below all-time highs. Similarly, the average factory workweek stands at a record high which should prevent any appreciable decline in jobs over the near-term.

As a result of the improvement on both the manufacturing and nonmanufacturing fronts, total nonagricultural job levels advanced again in the first quarter, but while the State as a whole is operating with a record number of workers in these establishments, Erie County readings still remain below pre-recessionary totals. Since the recovery began, total nonfarm job gains in Erie County have been just over one-half of the gains averaged throughout the State.

However, within the past several months, pre-recessionary levels of resident employment have been reached so that in the first quarter of this year, the 117,900 residents counted as employed represent a new record after normal seasonal ups and downs are discounted. Still, although the year-over-year gain of 4,800 in employment was strong enough to absorb a net inflow into the labor force totaling 3,800 and reduce the number counted as jobless by 1,000, long-run trends, especially in terms of labor force and employment growth, remain worrisome. Nonetheless, the seasonally adjusted 6.6 percent unemployment rate in the first quarter represents the lowest reading since 1978.

Sharon

Without a doubt, short-run trends over the past several months in the Mercer County economy have been relatively healthy. Despite this recent improvement, however, considerable slack remains. In fact, it is fairly safe to say that the region is still struggling to regain all of the ground lost in the early 1980s.

For instance, although 3,500 more residents were counted as employed in the first quarter of this year relative to a year ago, leaving employment at 46,100, this still remains well below pre-recessionary readings. Statewide, resident employment stands very near record highs. Furthermore, first quarter's gain translates into a surprisingly large 8.2 percent increase, nearly double the growth Statewide. However, between the beginning of the recovery around 1982/1983 and 1987, employment grew by a minimal 0.7 percent in the Sharon metro region compared to a 9.4 percent gain in Pennsylvania as a whole. In that employment has remained essentially flat over the long-run, the fact that the jobless rate has been reduced from over 20 percent at the height of the recession to 6.2 percent, unadjusted, in the first quarter is largely

Sharon Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q '88	*1 Q '88*	*4 Q '87*	*1 Q '87*
Employment *(in thousands)*				
Employed, no. of residents	46.1	99	98	92
Unemployed, no. of residents	3.1	63	75	90
Rate, seasonally adjusted	5.1			
Civilian labor force, no. of residents	49.1	96	96	92
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	41.2	93	91	88
Nonmfg. only, no. of jobs	31.1	110	108	106
Mfg. only, no. of jobs	10.2	64	61	57
Industrial electric power sales	***	119	104	96
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	2.1	+62		
Nonresidential contracts only	0.9	−40		

[1]Mercer County

due to a net outflow from the labor force which is not a healthy sign. Nonetheless, the 2.6 point drop between the first quarters of 1987 and 1988 is encouraging in light of the employment gains realized over that shorter period.

While the majority of all new jobs continue to be generated in the nonmanufacturing sector, Mercer County's manufacturers are starting to add workers after a prolonged slump. In fact, the 1,200 workers added to factory payrolls during the 1987:IQ-1988:IQ period pushed job levels to 10,200, the highest reading in three years after seasonal trends are discounted. Still, this leaves job levels at about two-thirds of their late 1970s readings. A similar gain of 1,200 jobs was realized in Sharon area nonmanufacturing establishments during the year ending with the first quarter. Job levels in these industries have remained above the 31,000-mark for the past six months on a seasonally adjusted basis in establishing a new record. Construction appears to be holding its own as job levels and residential contract awards turned in year-over-year gains. The decline in nonresidential contract values is probably not especially significant in that this category is subject to wide swings.

Southeastern Quarter

Harrisburg-Lebanon-Carlisle

The economy of the four-county Harrisburg-Lebanon-Carlisle metropolitan area continued to post solid results in this year's first quarter. At a seasonally adjusted 3.9 percent, the area's jobless rate for the first quarter was the second lowest in the State, trailing only Lancaster's reading. Similar to the situation elsewhere in the State, this represents dramatic improvement compared to the situation at the height of the recessions of the early 1980s. In fact, the rate is down by more than one-half compared to recession highs. However, whereas elsewhere in the Commonwealth the long-term improvement in joblessness is somewhat suspect in light of sluggish growth on the employment and labor force fronts, the decline in the Harrisburg region's jobless rate is truly reflective of the economy's gains. In the quarter just ended, employment rose by 13,900 from year ago readings to 299,200, a new record after seasonal trends are factored out. This gain wasn't quite strong enough to absorb a net inflow into the labor force of 14,500, resulting in a slight gain in the number of unemployed. As a result, the jobless rate remained unchanged from a year ago.

Harrisburg-Lebanon-Carlisle Area[1]

	Ave. mo. value 1 Q '88	Average monthly index seas. adj. (1977 = 100) 1 Q '88	4 Q '87	1 Q '87
Employment *(in thousands)*				
Employed, no. of residents	299.2	122	121	116
Unemployed, no. of residents	14.1	81	86	77
Rate, seasonally adjusted	3.9			
Civilian labor force, no. of residents	313.3	120	119	114
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	294.5	121	121	117
Nonmfg. only, no. of jobs	242.2	128	127	124
Mfg. only, no. of jobs	52.4	97	97	93
Hrs. worked by production workers in mfg., ave. weekly	39.7	n.a.	n.a.	n.a.
Industrial electric power sales	***	97	94	76
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	49.2	+ 26		
Nonresidential contracts only	32.7	- 82		

[1]Cumberland, Dauphin, Lebanon, and Perry Counties

The region's superior performance is clearly evident in examining long-term trends relative to the State's. The Harrisburg area's growth in the labor force since the recovery began has been more than three times as large as Pennsylvania's while the growth in employment, through 1987, was five percentage points greater (14 vs. 9 percent).

Not surprisingly, the vast majority of new jobs have come in the nonmanufacturing sector, especially in the service-producing industries. Since the recovery began, 35,200 jobs were generated in the region's nonmanufacturing establishments through 1987. More than 31,000 of those jobs came in the service-producing sector. In absolute terms, the big gainers were the service and trade industries, each with 12,400 new positions. Much the same is true over the short-term. Between the first quarters of 1987 and 1988, nonmanufacturing jobs rose by 8,500 to a record high of 242,200 when seasonal trends are discounted. More than 90 percent of those new jobs came in the service-producing industries.

While nonmanufacturing has turned in a solid showing with respect to job gains over the long-run, the Harrisburg area's manufacturers have held payroll jobs on a relatively steady path. Still, this is a much stronger performance than in the State as a whole where factory jobs have been on a definite downward trajectory. The news has brightened somewhat as of late. During the year ending with the first quarter, 1,800 new manufacturing jobs were created, leaving job totals at 52,400. After adjusting for seasonality, job levels are currently at their second-highest reading since the end of 1984 after falling slightly from last year's final quarter. Durable goods industries accounted for the bulk of the jobs generated over the course of the past year. Recent gains in electricity sales to industry provide further evidence of manufacturing's gains.

Lancaster

First quarter trends in Lancaster County suggest that the economy continues to expand at a healthy pace in the region. In fact, it may be safely said that the local economy, especially relative to the State as a whole, is booming as good news is being turned in on just about all fronts. This is evident in the region's 3.8 percent jobless rate, the lowest among the Commonwealth's 15 metropolitan areas. The number of residents counted as unemployed has been cut in half since peaking around the beginning of 1983. In fact, the 8,000 residents of Lancaster County without a job during the first three months of the year represent the second lowest total in more than a decade after factoring out normal seasonal ups and downs.

What is especially encouraging is the fact that the steady decline in joblessness over the past five years has occurred alongside a rapidly expanding labor force. In light of this, relatively large increases in employment have been required in order to reduce unemployment. Over the course of the recovery, resident employment in the region has advanced

Lancaster Area[1]

	Ave. mo. value 1 Q '88	Average monthly index seas. adj. (1977 = 100) 1 Q '88	4 Q '87	1 Q '87
Employment *(in thousands)*				
Employed, no. of residents	203.6	134	132	127
Unemployed, no. of residents	8.0	90	104	85
Rate, seasonally adjusted	3.5			
Civilian labor force, no. of residents	211.6	131	130	125
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	180.7	130	128	125
Nonmfg. only, no. of jobs	120.6	146	144	138
Mfg. only, no. of jobs	59.3	106	105	106
Hrs. worked by production workers in mfg., ave. *weekly*	40.2	102	102	102
Industrial electric power sales	***	138	139	129
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	52.3	+26		
Nonresidential contracts only	26.9	+54		

[1]Lancaster County

at a pace nearly double the Statewide gain. Between the first quarters of 1987 and 1988, 10,700 additional residents were counted as employed, leaving the number of jobholders in the region at 203,600. Although there has been minimal monthly downturns, employment has been on a definite upward track since the end of the recession and has remained at a record high since late 1983.

Similar to the situation elsewhere in the State, nonmanufacturing establishments have provided the majority of all new jobs. However, manufacturing has, at the least, certainly held its own. While the rest of Pennsylvania witnessed a short-lived upturn in factory job levels, lasting until mid-1984, prior to a rather lengthy 30-month decline, Lancaster area manufacturers maintained relatively steady payrolls over the 1984-1987 period and have recently begun to add workers. Furthermore, the Lancaster region is one of only three metropolitan areas in the State currently maintaining factory job levels above 1977 readings. All told, there were 59,300 manufacturing positions maintained in Lancaster County establishments, a level unchanged from a year ago but up from 1987:IVQ readings after discounting for seasonality. Job levels fall just short of all-time highs set in the late 1970s. Trends in electricity sales to industry also suggest that manufacturing activity is on the rise in the region. Although there was a very slight drop from fourth quarter readings, the long-run trend remains positive.

While manufacturing has essentially "broke even" over the long-run, the region's nonmanufacturers have generated a significant number of new jobs. During the year ended with the first quarter, 6,600 more nonmanufacturing positions were added in Lancaster County. Several different industries contributed to this gain: services (with 2,500 new jobs), trade (1,800), government (900), and finance (400). As a result, the number of positions on nonmanufacturing payrolls rose to 120,600. This represents another record high after seasonal adjustment. The construction industry also made a contribution to this job gain as 1,000 more jobs were maintained in the first quarter relative to a year ago. This, along with solid growth in both residential and nonresidential contract values, suggests that building activity remains healthy.

Philadelphia

The short-term outlook for the eight-county Philadelphia metropolitan area appears to be favorable, although a questionable national economy prevents such an optimistic outlook beyond 1988. Certainly, the State's largest regional economy has turned in a rather impressive performance over the course of the current recovery relative to the Commonwealth as a whole.

While the advantage may have lessened, it can still be argued that the region continues to outperform the State as a whole. For instance, between the first quarters of 1987 and 1988, nonagricultural job levels grew 3.2 percent in the region compared to 2.8 percent Statewide. Despite periods of sluggishness in the area's factories, gains in the nonmanufacturing sector have been enough to allow total nonfarm job levels to expand almost nonstop since the early 1960s, except for a few "leveling off" periods during national recessions.

The service-producing industries have led the way over the past several years. Of the new nonagricultural jobs generated over the recovery period, 95 percent have come in these industries. As a result, nonmanufacturing job rolls have been increasing at a very respectable pace. In fact, between the beginning of the recovery and 1987, job levels in these industries increased 16.7 percent compared to a 13.3 percent gain throughout Pennsylvania. Short-run trends show that further improvement has taken place. Between the first quarters of 1987 and 1988, nonmanufacturing job totals increased by 64,300, a 3.7 percent gain. The end result was a nonmanufacturing job total of 1.79 million, a record high after seasonal adjustment. Over that one-year time frame, the big gainers in absolute terms were the services and trade industries with job gains totaling 29,700 and 16,700, respectively.

According to the value of contracts awarded, construction activity may be on the decline. Specifically, residential contract awards in this year's first quarter were down 16 percent from year ago readings. On the nonresidential side, a decline of nearly one-third was turned in. However, these measures of building activity are subject to wide swings. Perhaps a better indication of trends is the behavior of con-

Philadelphia Area[1]

	Ave. mo. value 1 Q '88	Average monthly index seas. adj. (1977 = 100) 1 Q '88	4 Q '87	1 Q '87
Employment *(in thousands)*				
Employed, no. of residents	2,298.3	124	123	119
Unemployed, no. of residents	106.6	59	60	60
Rate, seasonally adjusted	4.3			
Civilian labor force, no. of residents	2,404.8	118	118	114
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	2,164.5	120	119	116
Nonmfg. only, no. of jobs	1,789.6	131	130	126
Mfg. only, no. of jobs	375.0	84	84	84
Hrs. worked by production workers in mfg., ave. *weekly*	40.2	102	102	103
Industrial electric power sales	***	111	111	102
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	457.0	-16		
Nonresidential contracts only	283.9	-32		

[1]Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, Pa., and Burlington, Camden, and Gloucester Counties, N.J.

struction jobs which increased by 9,600 over the 1987: IQ-1988:IQ period.

The news is not nearly as good on the manufacturing side, although job levels appear to have bottomed out and may have just begun to drift upward ever so slightly. While factory job levels are essentially unchanged from fourth quarter readings, they are up by 3,300 from the first quarter of 1987. Still, the 375,000 manufacturing jobs maintained in the region during this year's first quarter are just barely above record-low readings. The 40.2 hour average factory workweek is quite high in historical terms and may help prop up job levels over the short-term. Furthermore, despite a sluggish showing on the jobs front, industrial power sales stand very near all-time highs, suggesting that production has at least held its own.

Not surprisingly, the good news on most fronts has translated into solid improvement with respect to employment and unemployment. Resident employment has been at a record high since late 1983. First quarter trends found employment increasing by 88,500 from year-ago readings to settle at 2.3 million. This gain was just strong enough to absorb a net inflow into the labor force totaling 86,200, resulting in a slight decrease in joblessness. All told, the unemployment rate fell from an unadjusted 4.7 percent in the first quarter of 1987 to 4.4 percent in the most recent period.

Reading

Economic trends in Berks County suggest that the region turned in a solid showing during the first three months of 1988. While most new jobs continue to be generated in the nonmanufacturing sector, the region's factories have recently started adding new workers. Compared to a year ago, factory job levels in this year's first quarter grew by 900 to 48,900. While this is a fairly small gain, it is certainly welcome in light of recent losses. On a seasonally adjusted basis, first quarter job totals were at their highest levels since the final quarter of 1985. Still, the number of workers on factory payrolls remains just barely above record-low readings maintained as the recession of the early 1980s came to an end. Despite the relatively low workforce, industrial power sales currently stand at record-high levels, suggesting that production has probably more than held its own.

While manufacturing has only recently showed signs of a rebound, the region's nonmanufacturers have been adding workers on a continuous basis since 1983 after holding job levels steady over the course of the two recessions of the early 1980s. All told, there were 100,500 jobs in Berks County nonmanufacturing establishments in the first quarter of 1988, a gain a 3,900 over year-ago readings. After adjusting for seasonality, this represents a new record. In fact, the region's nonmanufacturers have maintained record-high workforces since late 1983.

As elsewhere in the Commonwealth, much of the gain in nonmanufacturing job levels has occurred in service-producing establishments. However, the construction industry has also played a role in recent job gains. Between the first quarters of 1987 and 1988, 600 new construction jobs were added to payrolls. Combined with impressive gains in the value of construction contracts awarded, this suggests that building activity is running at a healthy pace in the region.

All of this good news is reflected in continued improvement on the employment/unemployment front. The number of residents counted as employed has been on an upward path since the end of the recession with slight month-to-month volatility. Employment totaled 163,500 in the first quarter, up 7,700 from a year ago. Trends stretching back to the beginning of the recovery find employment growing at a pace strong enough to absorb healthy gains in the labor force and, at the same time, reduce unemployment. In fact, the seasonally adjusted 4.6 percent jobless rate for the first quarter is less than one-half of its recessionary high and is the lowest reading since 1974.

York

There appears to be little to be concerned about with respect to the economy in Adams and York Counties according to first quarter results. In a nutshell, the York metropolitan area economy appears to be operating on all cylinders as the news was encouraging on just about all fronts.

Reading Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q '88	*1 Q '88*	*4 Q '87*	*1 Q '87*
Employment *(in thousands)*				
Employed, no. of residents	163.5	123	122	117
Unemployed, no. of residents	8.5	92	99	98
Rate, seasonally adjusted	4.6			
Civilian labor force, no. of residents	172.0	121	120	116
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	149.6	115	113	111
Nonmfg. only, no. of jobs	100.5	127	125	122
Mfg. only, no. of jobs	48.9	96	95	94
Hrs. worked by production workers in mfg., *ave. weekly*	40.9	104	106	105
Industrial electric power sales	***	140	139	130
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	31.8	+60		
Nonresidential contracts only	5.9	+51		

[1]Berks County

York Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q '88	*1 Q '88*	*4 Q '87*	*1 Q '87*
Employment *(in thousands)*				
Employed, no. of residents	202.2	134	132	127
Unemployed, no. of residents	10.1	92	100	92
Rate, seasonally adjusted	4.3			
Civilian labor force, no. of residents	212.3	131	130	125
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	172.4	123	121	118
Nonmfg. only, no. of jobs	112.1	138	137	133
Mfg. only, no. of jobs	60.3	102	100	97
Hrs. worked by production workers in mfg., *ave. weekly*	42.6	104	104	103
Industrial electric power sales	***	120	119	113
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	41.7	+42		
Nonresidential contracts only	16.5	−14		

[1]Adams and York Counties

The seasonally adjusted 4.3 percent jobless rate recorded by the region during the first three months of this year is tied for the third lowest reading among the Commonwealth's 15 metropolitan areas. Compared to a year ago, the jobless rate was down 0.2 percentage point. Over that period, employment grew by 11,200 residents which was identical to the net inflow into the labor force. However, over the long-run, substantial gains in employment have been strong enough to absorb labor force gains as well as reduce the number of unemployed. For instance, between the end of the recession, around 1982/1983, and 1987, employment in the York metro area expanded by 22,500, a gain strong enough to absorb an increase of 11,700 in the labor force and reduce the number of unemployed by 10,800. Employment has remained at a record-high after seasonal adjustment since mid-1984, including a reading of 202,200 in this year's first quarter.

Perhaps the best news, however, over the past several months revolves around trends in the factory sector. After essentially holding steady for the previous two years, a period in which job levels were falling throughout the State, manufacturers began adding workers in the region around the middle of 1987. The 60,300 positions maintained in these establishments during the first three months of this year translate into a gain of 2,800 over a year ago. Furthermore, after adjusting for seasonality, job levels have increased in each of the past three quarters. Recent gains have been spread across both durable and nondurable goods industries. Compared to the first quarter of 1987, durable goods payrolls rose by 1,900 workers while on the nondurables side, a gain of 1,000 jobs was recorded.

Other indicators of manufacturing's health were also encouraging in the first quarter. For instance, industrial power sales were at all-time highs which suggests that production activity was brisk. Furthermore, a relatively high average factory workweek may help prop up job levels over the near-term.

Still, the bulk of all new jobs continue to be generated in the region's nonmanufacturing establishments. All told, there were 112,100 positions in these industries during the first quarter for a gain of 4,700 from a year earlier. Jobs in these establishments have increased almost non-stop since the economy emerged from the back-to-back recessions of the early 1980s and have turned in record-high readings practically ever since. Not surprisingly, construction has played a major role. The 9,700 positions in these industries in the first quarter represent a record-high and a gain of 1,100 from a year ago. On the contracts front, a solid year-to-year gain of 42 percent was turned in on the residential side. At the same time, there was a 14 percent decline on the nonresidential side. In that it represents only the third such decline over the past nine quarters, it should certainly not be interpreted as the start of a trend.

— *William D. Anderson*

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